

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF RATES OF THE FLEMING-)	
MASON RURAL ELECTRIC COOPERATIVE)	CASE NO. 90-081
CORPORATION FLEMINGSBURG, KENTUCKY)	

O R D E R

Fleming-Mason Rural Electric Cooperative Corporation ("Fleming-Mason") filed an application on May 7, 1990 requesting an adjustment of rates to increase its annual operating revenues by \$899,831. Fleming-Mason is a consumer-owned rural electric cooperative engaged in the distribution sale of electric energy to approximately 15,573 customers in Bath, Bracken, Fleming, Lewis, Mason, Nicholas, Robertson, and Rowan counties.

No requests for formal intervention were received, and a hearing was scheduled for October 12, 1990. Members of the Commission's Staff filed testimony on August 10, 1990, and a settlement conference was held on October 4, 1990. As a result of the negotiations between Fleming-Mason and the Staff, a proposed settlement was reached. The settlement consists of a Settlement Agreement dated October 11, 1990, attached hereto as Appendix A. The Settlement Agreement provides that Fleming-Mason will be allowed an increase in annual operating revenues of \$600,000. Revenue requirements will be based on a 2.5 Times Interest Earned Ratio ("TIER") with all total margins in excess of a 2.0 TIER being used by Fleming-Mason to rotate capital credits to its

members. The rotation of capital credits includes the retirement of capital credits on a general basis, as well as retirements to deceased estates.

After careful review of the proposed Settlement Agreement, the Commission finds that the Settlement Agreement strikes a reasonable compromise between the position advocated by Fleming-Mason and the Staff. The Settlement Agreement will result in rates that are fair, just, and reasonable. The Settlement Agreement is in the public interest and should be accepted for rate-making purposes.

IT IS THEREFORE ORDERED that:

1. The Settlement Agreement, attached as Appendix A, be and it hereby is incorporated into this Order as if fully set forth herein.

2. The terms and conditions set forth in the Settlement Agreement be and they hereby are adopted and approved.

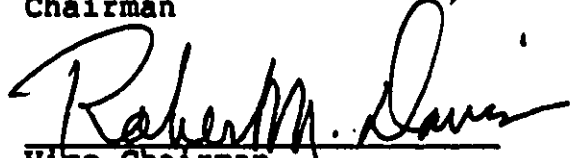
3. The rates set forth in Appendix B to this Order, attached hereto and incorporated herein, be and they hereby are approved for service rendered on and after November 6, 1990.

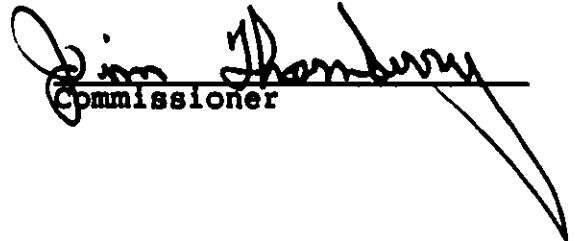
4. Fleming-Mason shall file new tariffs setting forth the rates contained in Appendix B within 30 days from the date of this Order.

Done at Frankfort, Kentucky, this 6th day of November, 1990.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 90-081 DATED 11/06/90

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF RATES OF THE FLEMING-MASON)
RURAL ELECTRIC COOPERATIVE CORPORATION) CASE NO. 90-081

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into this 11th day of October, 1990, by and between Fleming-Mason Rural Electric Cooperative Corporation ("Fleming-Mason") and the Staff of the Public Service Commission ("Commission").

WHEREAS, Fleming-Mason filed an application with the Public Service Commission on May 7, 1990 seeking authorization to increase its operating revenues by \$899,831; and

WHEREAS, Staff filed testimony on August 10, 1990 recommending that Fleming-Mason's operating revenues be increased by \$294,430; and

WHEREAS, at an informal conference on October 4, 1990 at the Commission's offices, Fleming-Mason and Staff met to discuss their respective recommendations on revenue requirements;

NOW, THEREFORE, be it resolved that:

1. Fleming-Mason and Staff mutually agree that all outstanding issues raised in the application and their respective testimonies in this proceeding shall be resolved by this Settlement Agreement.

2. Fleming-Mason shall be authorized to increase its operating revenues by \$600,000 annually upon written acceptance of

this Settlement Agreement by the Public Service Commission. The revenue increase shall be spread to the rate classes in accordance with the recommendations set forth in the Staff testimony.

3. Fleming-Mason's revenue requirements will be based on a 2.50 TIER and Fleming-Mason shall begin to retire capital credits on a general basis, in addition to the retirements to estates in an amount at least equal to all total margins (excluding Generating Transmission Capital Credits) in excess of a 2.0 TIER.

4. For purposes of determining Fleming-Mason's earnings and margins, reference will be made to Fleming-Mason's Annual Reports on file with the Public Service Commission. Fleming-Mason's Annual Reports will be adjusted to eliminate any cost that is not normally allowed by the Public Service Commission for rate-making purposes.

5. Fleming-Mason represents that it will take all necessary steps, including but not limited to, amending its Equity Management Plan so as to rotate capital credits to its members for all total margins earned in excess of a 2.0 TIER.

6. For as long as this Settlement Agreement is in effect and Fleming-Mason's revenue requirements are determined herein, Fleming-Mason acknowledges that it will be subject to financial monitoring by the Staff and to facilitate that monitoring, Fleming-Mason agrees to provide, upon reasonable notice, any financial statements necessary to assure the Staff that refunds of capital credits are being administered in good faith in accordance with its amended Equity Management Plan and this Settlement Agreement.

7. Fleming-Mason recognizes and acknowledges its obligation to operate its system at the lowest possible cost consistent with the furnishing of adequate, efficient, and reasonable electric service and Fleming-Mason will act in good faith to take all reasonable steps necessary to comply with this obligation.

8. Fleming-Mason may apply to the Public Service Commission for relief from the aforementioned obligations to retire capital credits when, due to circumstances beyond Fleming-Mason's control, the Rural Electrification Administration or the National Rural Utilities Cooperative Finance Corporation has suspended or discontinued advancing loan funds to Fleming-Mason.

9. Fleming-Mason will proceed with all diligent speed to obtain any requisite approvals from its creditors and other persons necessary to implement the provisions of this Settlement Agreement, and to maintain said Agreement in full force and effect.

10. This Settlement Agreement is subject to the acceptance of and approval by the Public Service Commission. In the event this Settlement Agreement is not accepted and approved by the Public Service Commission, said Agreement shall become null and void and Fleming-Mason and Staff shall not be obligated or bound by any of the terms or provisions contained therein.

AGREED TO BY:

BY: Anthony P. Owens

TITLE: Pres. & Gen. Mgr.

DATE: 10-11-90

FLEMING-MASON RECC

BY: Richard D. Roff

TITLE: Staff Attorney

DATE: October 12, 1990

PUBLIC SERVICE COMMISSION STAFF

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 90-081 DATED 11/06/90

The following rates and charges are prescribed for the customers in the area served by Fleming-Mason Rural Electric Cooperative Corporation. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

Schedule RSP Residential and Small Power

Customer Charge	\$5.55/Meter
Energy Charge	\$.05660/KWH

Minimum Charge: The monthly customer charge. For temporary or seasonal service, a minimum charge of \$66.60 is required, payable at the time of request for service.

Electric Thermal Storage	\$.03396/KWH
--------------------------	--------------

Schedule SGS Small General Service

Customer Charge	\$43.07/Meter
Energy Charge	\$.03231/KWH

Minimum Charge: The monthly customer charge. For temporary or seasonal service, a minimum charge of \$516.84 per annum is required in lieu of the monthly customer charge, payable at the time of request for service.

Schedule LGS Large General Service

Customer Charge	\$57.31/Meter
Energy Charge	\$.03242/KWH

Minimum Charge: The monthly customer charge. For temporary or seasonal service, a minimum charge of \$687.72 per annum is required in lieu of the monthly customer charge, payable at the time of request for service.

Schedule OLS
Outdoor Lighting Service

Monthly Rate	\$5.94
175 Watt Mercury Vapor	
(Approximately 7,000 lumens)	

Minimum Charge: First year, or any portion thereof, \$71.28 per unit payable in advance. Thereafter, \$5.94 per month per unit.

Schedule AES
All Electric School

Customer Charge	\$55.38/Meter
Energy Charge	\$.05267/KWH

Special Contracted Service
Texas Eastern Transmission Corporation

Customer Charge	\$627.42/Meter
Energy Charge	\$.03094/KWH

Schedule LIS 3
Large Industrial Service

Customer Charge	\$1,069.00/Month
Energy Charge	\$.02871/KWH

Schedule LIS 1
Large Industrial Service

Customer Charge	\$535.00/Month
Energy Charge	\$.03345/KWH

Schedule LIS 2
Large Industrial Service

Customer Charge	\$1,069.00/Month
Energy Charge	\$.03020/KWH

Schedule LIS 4
Large Industrial Service

Customer Charge	\$535.00/Month
Energy Charge	\$.03388/KWH

Schedule LIS 5
Large Industrial Service

Customer Charge	\$1,069.00/Month
Energy Charge	\$.03063/KWH

Schedule LIS 6
Large Industrial Service

Customer Charge	\$1,069.00/Month
Energy Charge	\$.02661/KWH

Schedule LIS 4B
Large Industrial Service

Customer Charge	\$535.00/Month
Energy Charge	\$.03388/KWH

Schedule LIS 5B
Large Industrial Service

Customer Charge	\$1,069.00/Month
Energy Charge	\$.03063/KWH

Schedule LIS 6B
Large Industrial Service

Customer Charge	\$1,069.00/Month
Energy Charge	\$.02661/KWH